

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

The cattle herd will re-consolidate in 2014, after an unexpected liquidation the year before, although inventories remain limited. Slaughter and beef production are expected to decline, while the weaker Canadian dollar is likely to support increased beef exports. The hog sector remains stable, as producers are yet reluctant to engage in a significant expansion as they continue to face financial hardships. Pork production and trade are estimated to stay flat compared to the prior year.

CATTLE:

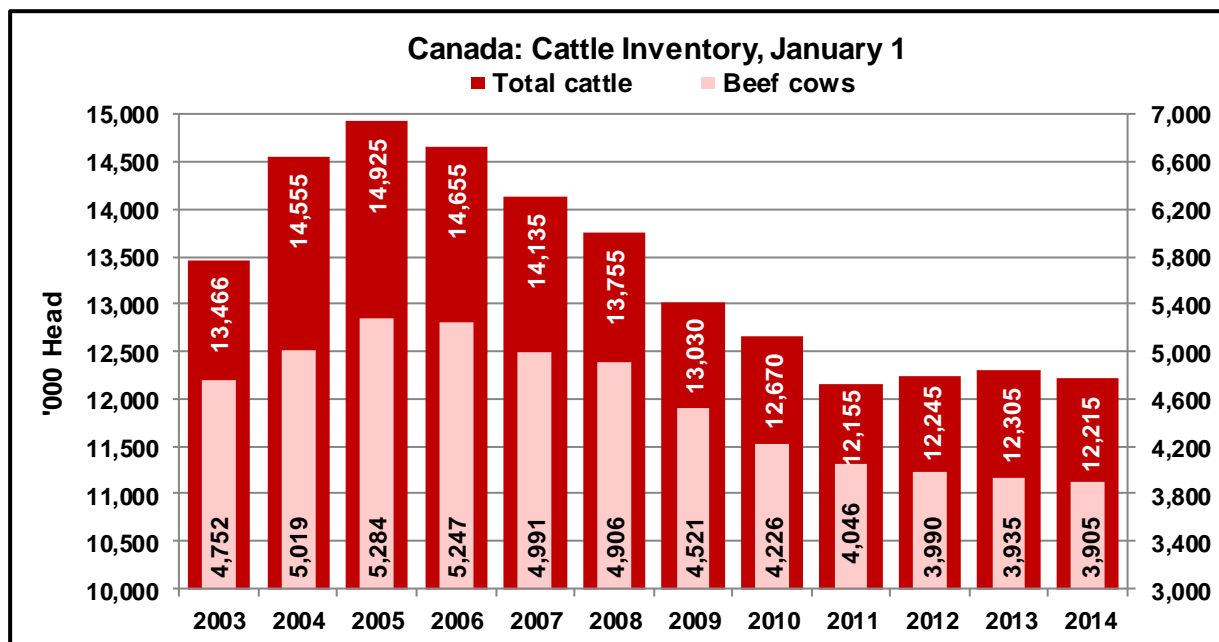
NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

CANADA Animal Numbers CATTLE ('000 head)	2012		2013		2014	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Total Cattle Beg. Stks	12,215	12,245	12,320	12,305	12,325	12,215
Dairy Cows Beg. Stocks	958	958	963	961	960	959
Beef Cows Beg. Stocks	3,960	3,990	3,925	3,935	3,900	3,905
Production (Calf Crop)	4,520	4,463	4,460	4,490	4,435	4,435
Total Imports	56	56	55	59	50	50
Total Supply	16,791	16,764	16,835	16,854	16,810	16,700
Total Exports	821	821	990	1,048	915	935
Cow Slaughter	449	449	430	490	400	445
Calf Slaughter	304	304	290	260	275	255
Other Slaughter	2,379	2,358	2,280	2,293	2,315	2,270
Total Slaughter	3,132	3,111	3,000	3,043	2,990	2,970
Loss	518	527	520	548	520	520
Ending Inventories	12,320	12,305	12,325	12,215	12,385	12,275
Total Distribution	16,791	16,764	16,835	16,854	16,810	16,700

Data published by Statistics Canada on March 5, 2014, revealed a smaller cattle herd on January 1, 2014, 110,000 head below the official USDA estimate. Unexpected sector liquidation in 2013, driven primarily by increased beef cow slaughter and exports of slaughter cows, coupled with a surge in exports of feeder cattle, explain this development.

Canada's beef cow herd appeared 5,000 head larger than the USDA estimate, although 30,000 head smaller compared to 2013. Despite the decline in the number of beef cows from last year, the cattle industry believes that Statistics Canada's cow herd level at the beginning of 2014 is overestimated, given the high volumes of beef cows either killed or exported in 2013. Future data revisions are anticipated to clarify this situation which, if confirmed, would lead to an even smaller calf crop and overall herd in 2014.

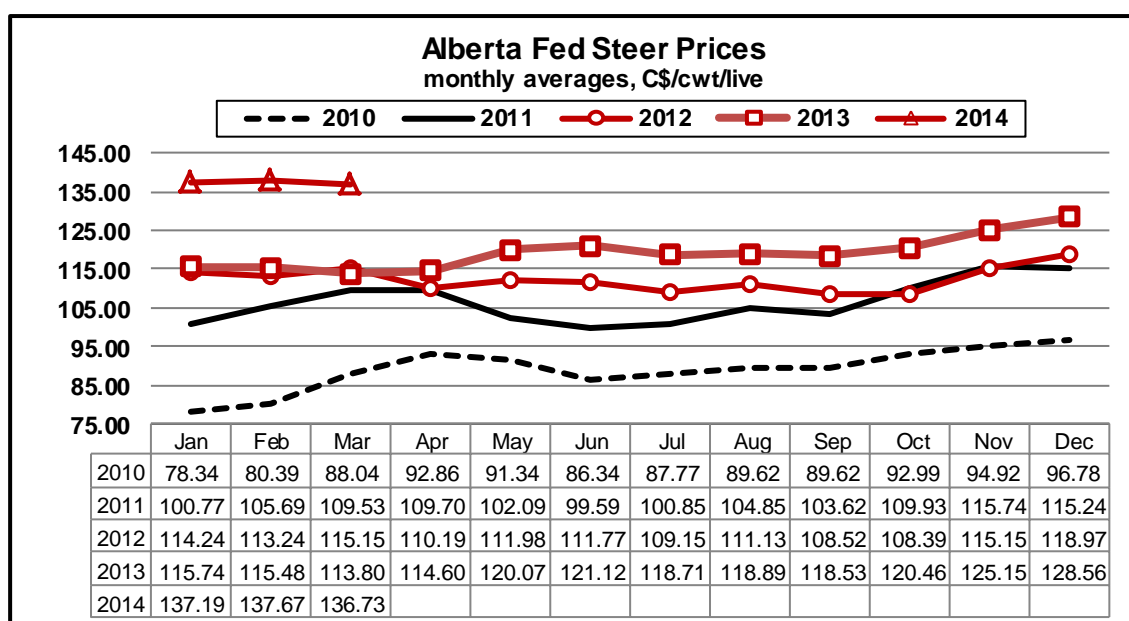
Canfax Research Services reports that the surprise liquidation from 2013, during the herd consolidation phase and before expansion, "while rare is not unheard of." Apparently, in 1984, after five years in the consolidation phase, the Canadian herd liquidated for three years before moving into the prolonged expansion of the 1990s. At this time, the levels of heifer retention reported by Statistics Canada and expected by the industry are just enough to maintain the herd at current levels and do not indicate any signs of expansion.



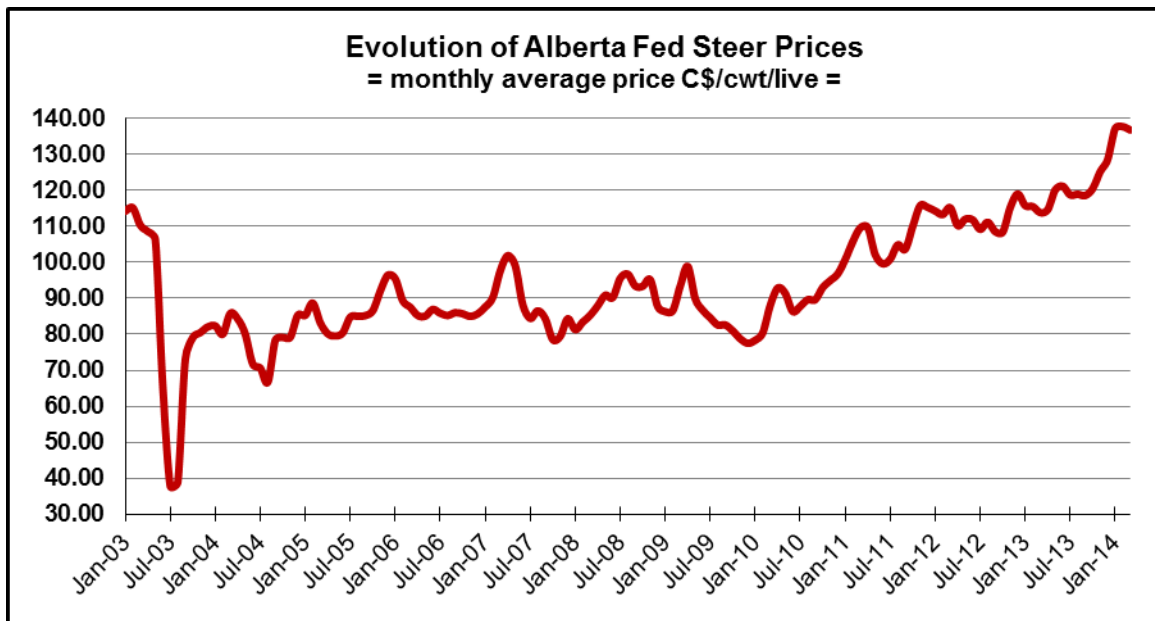
Source:

Statistics Canada

Cattle prices are expected to continue to remain at historically high levels for the months to come. The underlying reason for these high animal prices is low feed costs. Both Canada and the United States enjoyed exceptional crops this past year and feed has been cheap and abundant. When looking at the impact of prices and, implicitly, feed costs, on exports of Canadian cattle, one has to keep the analysis in relative terms: as long as feed remains relatively cheaper in the United States, cattle prices there will also be relatively higher compared to Canada and be a contributing factor to the draw of cattle into that market.



Source: Canfax

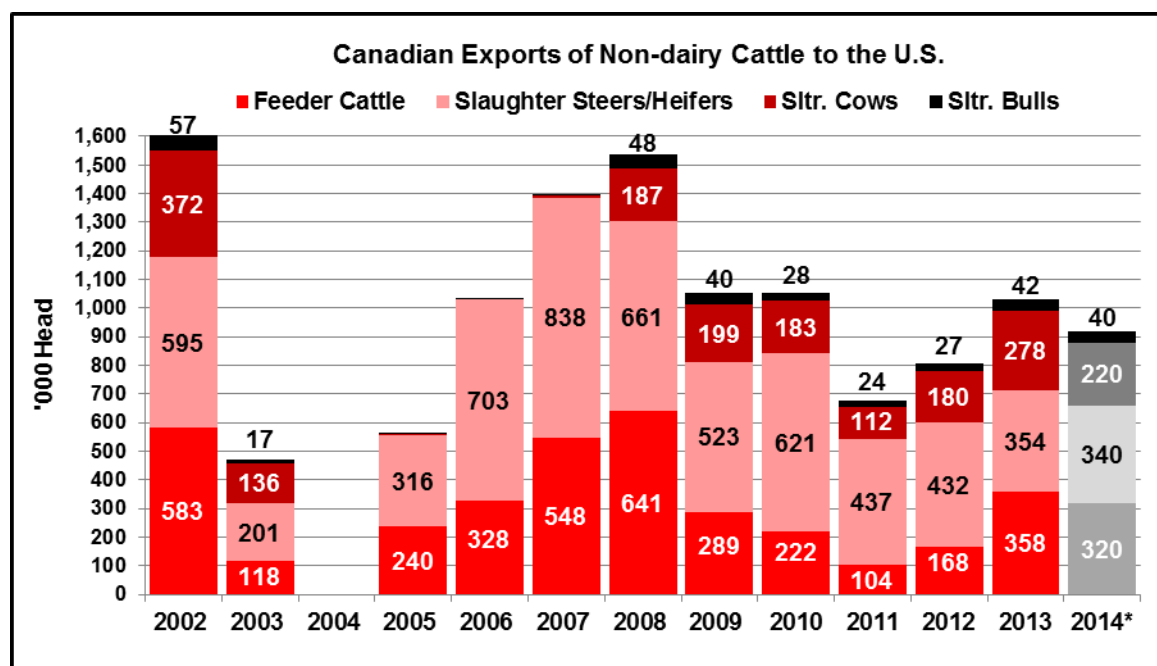


Source: Canfax

Canfax Research Services reports that the price differential between Canada and the United States has deepened for slaughter cattle from a five-year average of about C\$5-10/cwt to more than C\$20/cwt in early 2014. The price difference is even more striking for feeder cattle: whereas the five-year average ranges between C\$10-15/cwt, the price differential reached C\$35/cwt in early 2014. The fact that cattle prices remain higher in the United States will continue to sustain exports from Canada, particularly of feeder cattle.

In addition to feed costs, another factor that contributed to the wide price differential between Canada and the United States was the fact that, at the end of 2013, Canadian feedlots operated at full capacity and were not interested in acquiring more feeder cattle. While this situation is currently changing, with packers needing slaughter animals and feedlots willing to sell lighter cattle, the resulting price increase on the Canadian market will still not bring the price differential back to the historical average. Therefore, the expectation is that the current situation will continue to fuel the exports of cattle towards the United States.

Based on the conditions described above, Post estimates that total cattle exports will reach 935,000 head in 2014, or 20,000 head above the official USDA estimate. In terms of composition of exports to the United States, feeder cattle are expected to remain at elevated levels, although slightly below the recent record from 2013. Exports of beef cows are expected to decline more substantially, given that 2013 was an un-usual year of liquidation and the herd is currently diminished. Exports of heavy bulls are anticipated to stay constant in 2014, as slaughter plants in Canada continue to refuse them. Finally, exports of slaughter cattle are also to decline, primarily because Canadian packers are expected to bid more aggressively on them in order to keep production lines running.



Source: Global Trade Atlas / *Post estimate

BEEF

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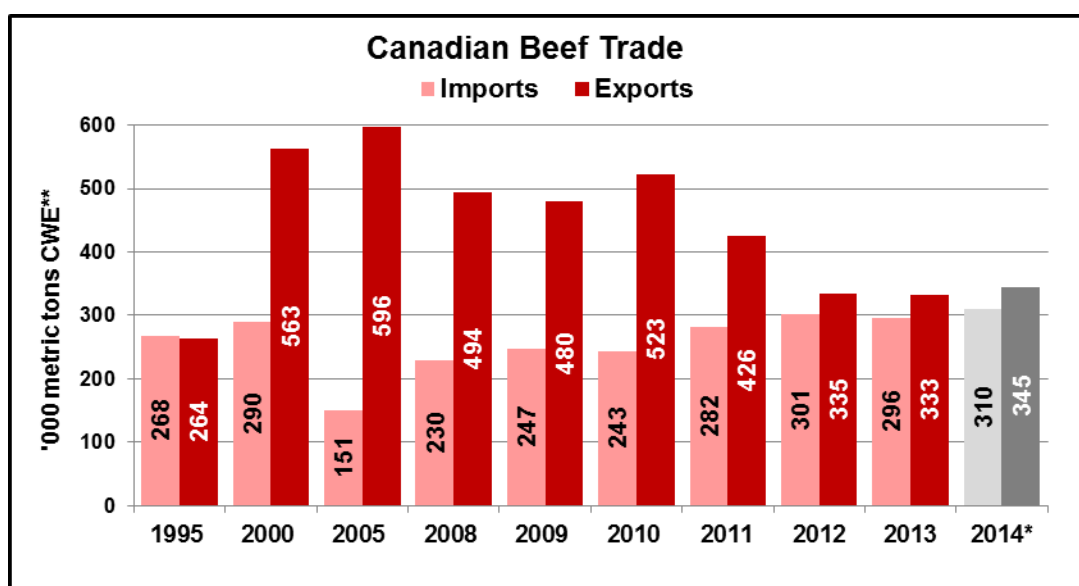
CANADA Meat BEEF and VEAL	2012		2013		2014	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Slaughter (Reference)	3,132	3,111	3,000	3,043	2,990	2,970
Beginning Stocks	31	31	38	38	35	35
Production	1,064	1,064	1,015	1,035	1,020	1,010
Total Imports	301	301	320	296	315	310
Total Supply	1,396	1,396	1,373	1,369	1,370	1,355
Total Exports	335	335	320	333	325	345
Total Dom. Consumption	1,023	1,023	1,018	1,001	1,015	980
Ending Stocks	38	38	35	35	30	30
Total Distribution	1,396	1,396	1,373	1,369	1,370	1,355

Data in '000 metric tons, except for "slaughter" which is in '000 head

Beef production is expected to decline in 2014. The new Post estimate is 1,010,000 metric tons (MT), or 10,000 MT below the USDA estimate and 25,000 MT below the anticipated production level for 2013. The major reasons for this development are explained below.

The new 2014 slaughter estimate is 2,970,000 head or 20,000 head below the official USDA forecast. Overall, this represents a 2.4 percent decline compared to 2013, primarily as a result of the fact that beef cow slaughter is expected to decline and cattle exports are anticipated to continue at elevated levels.

Carcass weights will decline only marginally in 2014, after dropping 0.6 percent in 2013. For 2014, Post estimates that packers' willingness to accept lighter animals in order to run production lines at capacity will be countered by anticipated good weather and pasturing conditions which will help animals take on additional weight. Additionally, an expected increase in the availability of feed grains at the beginning of the summer when growers empty their bins to prepare for the new crop, may result in a further drop in feed prices which may translate into additional pounds on animals. In the end, on average, carcass weights will not be that different in 2014 compared to 2013.



Source: Global Trade Atlas / Post *estimate

Imports of beef are currently estimated at 310,000 MT for 2014, or 5,000 MT below the USDA forecast. Despite the weaker Canadian dollar Post anticipates imports will increase compared to 2013, given overall very tight supplies of beef. At the same time, exports of beef will be well supported by the weaker currency. Post now pegs 2014 beef exports at 345,000 MT, or 20,000 MT above the USDA estimate, and nearly 4 percent larger than in 2013. That being said, Canadian beef exports remain at about half the level they once were in early to mid-2000s.

CANADA: Total Beef Imports (Quantity in metric tons, CWE*)

	1995	2000	2005	2010	2011	2012	2013
World	268,309	290,280	151,000	243,443	281,928	301,274	295,830
United States	146,221	128,553	60,360	175,237	220,438	228,565	227,040
Australia	56,038	55,268	11,395	11,794	13,608	21,422	24,301
New Zealand	60,192	29,602	42,265	31,576	34,351	29,514	21,543
Uruguay	157	34,493	27,144	15,734	8,492	15,677	17,466
Brazil	2,085	4,125	7,383	7,415	4,195	4,702	4,196
Argentina	3,439	38,168	2,315	1,625	824	1,309	899
All other countries	177	71	138	62	20	85	385

Import Market Shares

United States	54.5%	44.3%	40.0%	72.0%	78.2%	75.9%	76.7%
Australia	20.9%	19.0%	7.5%	4.8%	4.8%	7.1%	8.2%
New Zealand	22.4%	10.2%	28.0%	13.0%	12.2%	9.8%	7.3%
Uruguay	0.1%	11.9%	18.0%	6.5%	3.0%	5.2%	5.9%
Brazil	0.8%	1.4%	4.9%	3.0%	1.5%	1.6%	1.4%

Source: Global Trade Atlas / *Conversion to carcass weight equivalent (CWE) at 1.4 for fresh, chilled and frozen meat, and at 1.79 for salted and processed meat

CANADA: Total Beef Exports (Quantity in metric tons, CWE*)

	1995	2000	2005	2010	2011	2012	2013
World	263,682	563,090	596,307	523,073	425,915	335,243	332,640
United States	248,232	469,043	515,797	414,678	329,934	257,297	255,828
Hong Kong	116	919	13,035	21,125	29,108	24,093	26,235
Mexico	197	43,712	57,125	49,437	34,609	23,233	16,030
Japan	8,871	22,155	7	17,932	13,153	14,370	14,950
China	47	85	0	5	0	1,906	7,869
Korea South	3,024	22,386	25	6	12	3,028	1,448
All other countries	3,195	4,790	10,318	19,890	19,099	11,316	10,280

Export Market Shares

United States	94.1%	83.3%	86.5%	79.3%	77.5%	76.7%	76.9%
Hong Kong	0.0%	0.2%	2.2%	4.0%	6.8%	7.2%	7.9%
Mexico	0.1%	7.8%	9.6%	9.5%	8.1%	6.9%	4.8%
Japan	3.4%	3.9%	0.0%	3.4%	3.1%	4.3%	4.5%

Source: Global Trade Atlas / *Conversion to carcass weight equivalent at 1.4

HOGS

NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

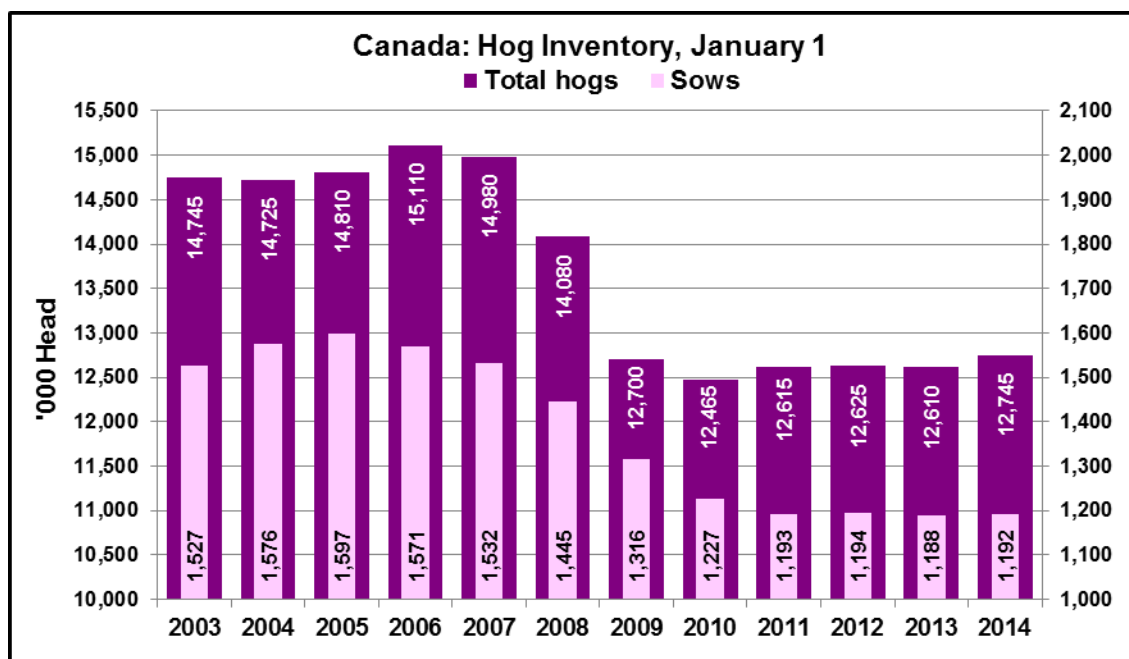
CANADA Animal Numbers SWINE ('000 head)	2012		2013		2014	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Total Beginning Stocks	12,781	12,625	12,668	12,610	13,180	12,745
Sow Beginning Stocks	1,194	1,194	1,185	1,188	1,170	1,192
Production (Pig Crop)	28,248	28,346	27,900	27,390	27,700	27,400
Total Imports	2	2	2	1	2	1
Total Supply	41,031	40,973	40,570	40,001	40,882	40,146
Total Exports	5,676	5,676	4,980	4,975	4,920	4,850
Total Slaughter	21,283	21,283	21,000	20,929	21,400	20,900
Loss	1,404	1,404	1,410	1,352	1,425	1,550
Ending Inventories	12,668	12,610	13,180	12,745	13,137	12,846
Total Distribution	41,031	40,973	40,570	40,001	40,882	40,146

Data in '000 metric tons, except for "slaughter" which is in '000 head

Statistics Canada data released on March 5, 2014 revealed a national hog herd of 12,745,000 head on January 1, or 435,000 head below the USDA official estimate. However, the January 1, 2014 Canadian hog herd was 135,000 head larger than at the same time in 2013.

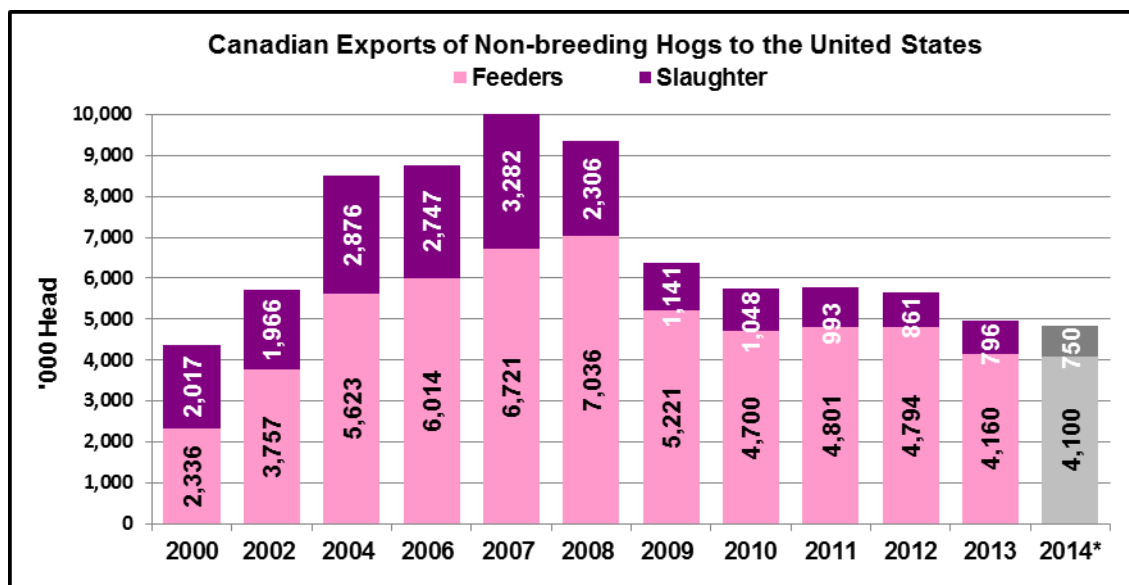
The fact that the statistical data showed a smaller 2014 herd than initially anticipated is largely a consequence of a lower sow productivity reported for 2013, as evidenced by a smaller than expected pig crop. In fact, according to Statistics Canada data, sow productivity has been mildly, but steadily, declining ever since 2011. At this point, this trend, however, is not confirmed by the industry. It is hoped that further data revisions will bring more clarity into these data, but it also possible that these minor variations in productivity are just a reflection of the inherent statistical errors. Given the size of the sow herd, even very small changes in productivity result in large changes to inventories.

The recently released Statistics Canada data also revealed a larger than anticipated sow herd, now pegged at 1,192,000 million head, or 22,000 head greater than the USDA estimate and 4,000 head greater than in 2013. This reported bigger sow herd is somewhat surprising, given that there were no indications of expansion in this sector. Hog producers continue to feel the impact of the sector contraction from five years ago and many continue to struggle financially. That being said, those producers who remained in business have enjoyed exceptionally high hog prices starting with the second half of 2013 and currently take advantage of the larger profits to consolidate their operations.



Source: Statistics Canada

In 2014, hog loss is expected to exceed the earlier estimate, given that the Porcine Epidemic Diarrhea virus (PEDv) reached Canada at the beginning of the year. Currently, there are over 30 reported cases of PEDv on farms, the great majority of which in the province of Ontario, and few isolated cases in Manitoba, Quebec and Prince Edward Island. At this point the impact of the disease at the national scale is minor and there are no estimates regarding possible future impact. The hog industry in collaboration with the Canadian Food Inspection Agency has strengthened biosecurity measures and has tightened cleaning and disinfection requirements for trucks transporting hogs in the hope to contain the spread of the disease.



Source: Global Trade Atlas / *Post estimate

Hog exports are now estimated to total 4,850,000 head in 2014, or 70,000 head below the official USDA estimate, and 125,000 head below the 2013 level. This is a reflection of an overall lower hog supply, but also of the fact that several Canadian vertically integrated operations (from farrow to slaughter) are expected to consolidate their positions as they take advantage of low feed costs and rising pork prices. In addition, to the extent barley, the hog feed of choice in the hog exporting province of Manitoba, will become relatively cheaper than corn towards the beginning of the summer, additional growers in the province may decide to feed the animals locally, and this may become another factor that could temper hog exports to the United States.

PORK

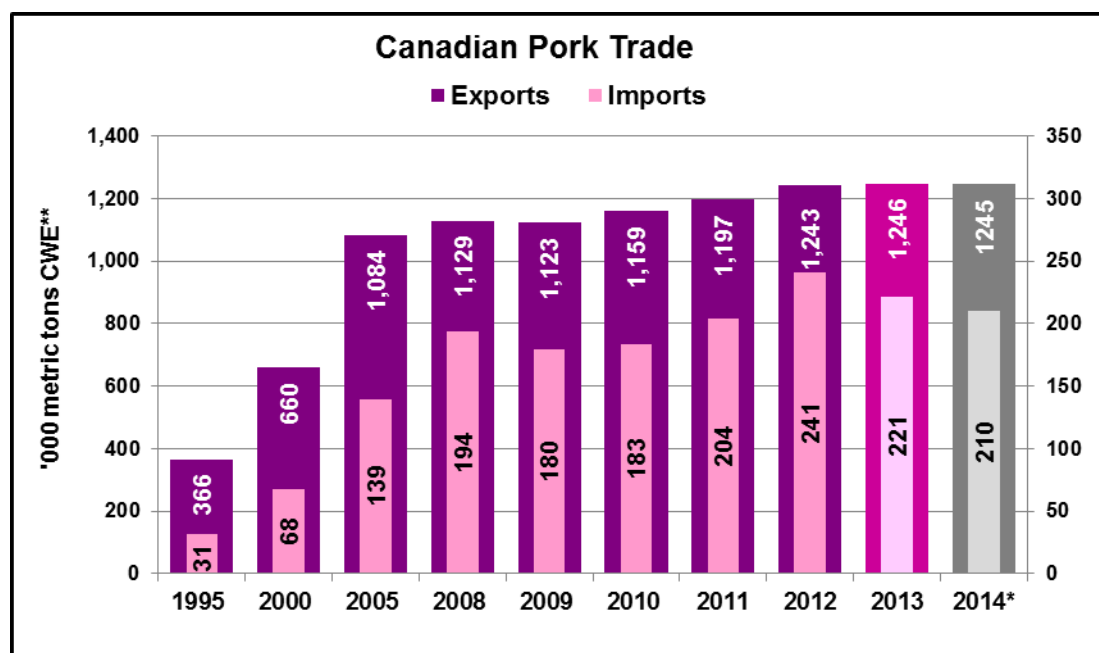
NOTE: "NEW Post" data reflect author's assessments and are NOT official USDA data

CANADA Meat SWINE	2012		2013		2014	
	USDA Official Data	NEW Post Data	USDA Official Data	NEW Post Estimates	USDA Official Data	NEW Post Forecast
Slaughter (Reference)	21,283	21,283	21,000	20,929	21,400	20,900
Beginning Stocks	63	63	67	67	55	52
Production	1,840	1,840	1,835	1,820	1,850	1,820
Total Imports	241	241	235	221	235	210
Total Supply	2,144	2,144	2,137	2,108	2,140	2,082
Total Exports	1,243	1,243	1,245	1,246	1,245	1,245
Total Dom. Consumption	834	834	837	810	850	792
Ending Stocks	67	67	55	52	45	45
Total Distribution	2,144	2,144	2,137	2,108	2,140	2,082

The new hog slaughter estimate for 2014 is 20,900,000 head, or 500,000 head below the official USDA estimate, and only marginally lower than in 2013. This is a reflection of lower hog supplies, given the reduced productivity reported by Statistics Canada and discussed earlier. It is also a reflection of the fact that the hog sector remains stable, as it continues to be driven by pork exports to foreign markets which attract more than two thirds of domestic production.

Pork production is currently estimated at 1,820,000 metric tons (MT), or 30,000 MT below the USDA forecast, and unchanged from the prior year. The slightly reduced slaughter will be compensated by mild increases in weights, as packers need every pound of pork to take advantage of a sustained global demand.

The weaker Canadian dollar will negatively impact pork imports, now pegged at 210,000 MT, 25,000 MT below the USDA estimate and 11,000 MT below the level reached in 2013.



Source: Global Trade Atlas / *Post estimate

CANADA: Total Pork Imports (Quantity in metric tons, CWE*)							
	1995	2000	2005	2010	2011	2012	2013
World	31,119	67,759	139,445	183,337	203,978	241,044	221,115
United States	26,320	61,883	129,818	177,495	195,744	228,334	208,279
Germany	134	0	0	0	192	2,329	4,485
Chile	0	0	1,027	2,262	2,696	3,340	2,135
Denmark	4,443	4,809	6,814	1,332	2,668	2,497	1,696
All other countries	222	1,067	1,786	2,248	2,678	4,544	4,520
Import Market Shares							
United States	85%	91%	93%	97%	96%	95%	94%
Germany	0%	0%	0%	0%	0%	1%	2%
Chile	0%	0%	1%	1%	1%	1%	1%
Denmark	14%	7%	5%	1%	1%	1%	1%

Source: Global Trade Atlas / *Conversion to carcass weight equivalent at 1.3

The same weaker currency will support pork exports at the same levels reached in 2013. Post has maintained the earlier estimate of 1,245,000 MT for 2014, the same as the USDA official forecast. While pork exports to South Korea are anticipated to further decline, other Asian markets, particularly China, are likely to compensate and absorb the balance. Similarly, exports to Russia will remain well below the record level attained in 2012, but emerging markets like Ukraine will capture a good part of those volumes.

CANADA: Total Pork Exports (Quantity in metric tons, CWE*)							
	1995	2000	2005	2010	2011	2012	2013
World	366,189	659,814	1,083,686	1,159,196	1,197,248	1,243,147	1,245,981
United States	257,416	420,854	477,899	395,559	364,714	360,655	404,274
Japan	51,434	125,661	304,063	259,966	255,667	245,622	219,367
China	299	1,929	18,045	38,998	78,829	89,002	131,159
Russia	8,819	8,110	25,499	99,563	167,245	244,036	113,855
Mexico	1,894	17,049	45,565	61,858	35,420	43,165	66,127
Korea South	5,211	14,181	57,708	56,065	100,751	68,270	49,131
Philippines	311	4,714	10,105	48,634	40,434	40,131	46,698
Australia	3,973	13,496	44,304	50,595	36,575	36,626	36,847
Taiwan	996	6,254	12,262	27,120	27,828	23,008	30,984
Ukraine	0	0	0	4,149	1,440	1,972	15,029
Chile	824	1,053	873	7,752	3,381	4,063	14,423
Hong Kong	4,717	5,947	4,015	31,439	13,925	12,291	13,390
Colombia	296	545	1,540	3,222	4,833	5,942	12,907
New Zealand	2,813	10,836	8,688	10,861	11,473	8,004	11,517
All other countries	27,186	29,185	73,120	63,415	54,733	60,360	80,273
Export Market Shares							
United States	70.3%	63.8%	44.1%	34.1%	30.5%	29.0%	32.4%
Japan	14.0%	19.0%	28.1%	22.4%	21.4%	19.8%	17.6%
China	0.1%	0.3%	1.7%	3.4%	6.6%	7.2%	10.5%
Russia	2.4%	1.2%	2.4%	8.6%	14.0%	19.6%	9.1%
Mexico	0.5%	2.6%	4.2%	5.3%	3.0%	3.5%	5.3%
Korea South	1.4%	2.1%	5.3%	4.8%	8.4%	5.5%	3.9%

Source: Global Trade Atlas / *Conversion to carcass weight equivalent at 1.3